

EMPLOYEE ENGAGEMENT: A STUDY ON GEN Y IN THE MANUFACTURING INDUSTRY

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Abstract

Today's engaged employees have become a crucial issue in this business world. Recruiting and engaging employees are the main concern for employers today. Gen Ys gradually dominating the workforce in the future, thus employers prepare to transform some of their policies and system to fit with their characteristics such as flexibility in workplace and equilibrium the rewards with their efforts. This study was focus on the Malaysian manufacturing industry which is the main contributor to the country GDP. The employees of the industry mainly comprised of Gen Ys and are known to be less engaged. There are many factors that lead to employee engagement. This study will look at factors that influence employee engagement, namely compensation and work-life balance. A survey was carried out among employees of manufacturing industry where 1000 questionnaires were distributed but only 996 were returned and utilized for data analysis. Regression analysis results indicate that compensation and work life balance were have significant relationship with employee engagement.

Keywords: Employee Engagement, Compensation, Work-life Balance, Manufacturing Industry

INTRODUCTION

In recent decades, the current global work environment has rapidly changed to become more competitive. These changes are closely related with the technology innovation, development and improvement. Organizations have to be alert about the variations of the external environment which organizations can follow and adapt the changes. One of the big changes is the new generation – Gen Ys, the new cohort of human capital who had joined the workforce approximately 10 years ago. They will soon-to-be the largest generation dominating the workplace and become the largest sources of talents to the organization. According to Labor Force Survey Report Malaysia 2014 by Department of Statistic Malaysia, approximately 60% of total workforces in Malaysia are established by the Gen Ys and increasing gradually. The different values and expectations of them will be created at new corporate opinion and culture (Reynolds, Bush & Geist, 2008) in the workplace.

Gen Ys have their different perspectives and characteristics if compared to previous generations (Baby Boomers and Gen X). It may be caused by their growing environment. They are growth in comfortable, technology savvy and less suffers in their grown process. In the workplace, Gen Ys was known as versatile and talented employees who can produce the tasks more creative, innovative effective and productive although they are pampered and programmed since they were child (St. Claire-Ostwald, 2012). However, Gen Ys, turnover rate and hopping rate were recorded higher and higher. The low engagement rate and loyalty towards organizations become a thorny challenge for the employers. Bakker & Bal (2010) indicated that lower levels of engagement will have impact on efficiency and effectiveness of the organization. Besides, Hewitt Associates (2004) found that employee engagement was highly correlated with organization's revenue growth. As Smola & Sutton (2012) derieved that employees in high engagemnet level will more loyal and retaining longer in organization while engaged employees also able to contribute their talents in achieving organization's goals and objectives (Gruman & Saks, 2011). For example, Tower Perrin investigation among 50 global companies in numerous countries over a year for employee engagement in relation to the company's financial performance. The outcomes showed that

company's income was raised approximately 19% with higher levels of employee engagement and in comparison to companies which had lower levels of employee engagement rate, the company's income decreased almost 32% (Tower Perrin, 2007). Therefore, in order to increase the engagement rate of employees in Malaysia manufacturing industry, this study was carried out to understand the needs of Gen Ys in their workplace, in terms of compensation and work-life balance.

LITERATURE REVIEW

Employee Engagement

According to Schaufeli et al. (2002), engagement (EE) can be divided into three characteristics to explain which are vigor, absorption and dedication. Vigor was defined more in mental and physical part which employees have a high level of work energy when completing their given tasks while absorption was the feeling where employees feel happy and satisfied with their job, they will be fully committed with their given tasks. Besides, dedication was defined as loyalty of employees where they are always motivated and excitement in doing their tasks (Schaufeli et al., 2002; May, Gilson & Harter, 2004; Saks & Rotman, 2006; May, Gilson & Harter, 2004). Higher employee engagement can bring over positive consequences of business outcome such as customer loyalty (Salavona, Agut & Peiro, 2005), employee performance (Arakawa & Greenberg, 2007), productivity (Bakker, Demerouti & Brummelhuis, 2012) and profitability (Xanthopoulou, Bakker, Demerouti & Schaufeli, 2009) as well as reduce turnover intention (Schneider, Macey, Barbera & Martin, 2009) in the organization. For instance, a study done by Tower Perrin for 3 years showed that company's profit increased 28% while the employee fully engaged to organization, but the profit fell 11% when the organization was less engaged by employees (Tower Perrin, 2007). Similarly, Harter, Schmidt & Hayes (2002) had collected more than 7500 data from around 36 countries to understand the relationship between employee engagement and other constructs such as customer satisfaction, employee turnover, customer loyalty, productivity and profitability. The results showed that there were positively correlated with between employee engagement and all tested constructs except employee turnover which was negatively correlated with employee engagement.

Compensation

Generally, compensation can be divided into two categories, financial and non-financial (Kehinde, 2012). Financial compensation includes pay, wages, salary, allowance or other benefits which involve the direct capital to employees while non-financial is the benefits which voluntarily given by organizations with indirect to the employees such as dental care, vacation leave, retirement scheme and insurance (Rashid, Asad, & Ashraf, 2011). Compensation would play an important role in attracting and managing employee's satisfaction (Patnaik & Padhi, 2012). They also indicate that compensation can be a tool to engage employees who could perform well in their jobs performance. Hughes & Rog (2008) also claimed that compensation being one of the factors associated with the successfulness of employee engagement while Bhattachaya & Mukherjee (2009) indicated that the relevant compensation system provided from organization was a key factor to engage their employees. It also will increase their employee's motivation in order to assist organization to achieve higher performance. In 2010, Kelly Services had collected data from approximately 130,000 of employees across United States and found that 40% of the employees engaged with the company because of pay system and another 60% because of benefits which provided by employer. Therefore, it can be concluded that pay and benefits still as an essential factor to keep the employees engaged and retain in the organization as well as for new generation (Larkin, Pierce & Gino, 2012). Gen Ys believed that compensation was their priority element when seek for the job and it became a measurement for their individual's value in the workplace. Based on that the following hypothesis is formulated:

H1: Compensation has significant relationship with employee engagement

Work-life Balance

Work-life balance was a new term created by Gen Ys, who like to balance between their personal lifestyle and work life at work and non-work schedule (Harish & Sudeep, 2013). They are expected have more authority in managing and allocating their lifetime schedule which to reduce the conflict between work and personal time (Jayanthi & Vanniarajah (2012). According to Tang & Wadsworth (2010), most of the employers are willing to convert their conventional policies to be more flexible to fit with the Gen Ys desire

such as flextime, telecommuting, job sharing and compressed work week. Through these alternatives, employees could be more flexible in allocating their working time to meet their needs. Reese, Rowings & Sharpley (2007) proved that increasing flexibility of work schedule will enhance the efficiency and productivity levels of organization. The survey by Sun Microsystems in California, U.S. found that the results of employee performance appraisal for those who work at home were higher than those working in the office. Besides, the average work productivity also increases approximately 34% for those works as off site and work from home employees (Foo, 2012). Thus, the better balancing between work and non work life, the higher chances of the employees to engaged with his current job (Gunavathy, 2011). According to Chimote & Srivastava (2013), when employees can schedule their work and non-work activities in high flexibility, it can enhance their inspiration and satisfaction in order to achieve better work performance. Kanwar, Singh & Kodwani (2009) also supported that WLB practices provide a win-win platform for employees and employers. Thus, the following hypothesis id proposed:

H2: There is a significant relationship between work-life balance and employee engagement.

The research proposed conceptual framework was indicated in Figure 1 as below:

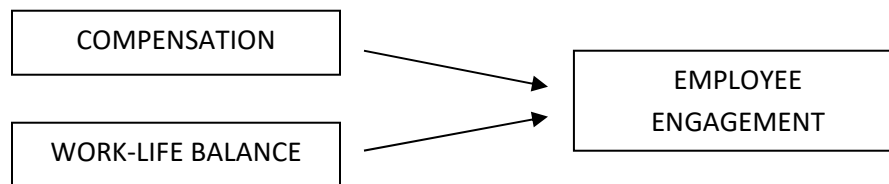


Figure 1: Proposed Conceptual Framework

RESEARCH METHODOLOGY

The study focuses on employees who are working in manufacturing industry and located at Johor, Selangor and Penang. The main reason the researchers distributed in these three states because they contributed almost 60% of the total manufacturing employees in Malaysia. Penang is known as “The Silicon Valley of the East”, it aspires to heighten its globally and intelligent city status by leveraging on it’s highly innovative and sophisticated manufacturing and services sectors and will benchmark to global standards while Selangor was the highest number of manufacturer located in this country followed by the Johor state. Disproportionate stratified random sampling method was utilizing for this study. It also considered as easier, simple, economical and efficient technique in obtaining a large number of data.

The questionnaire was divided to 3 sections, namely section A on personal and work information followed by section B which comprised of 12 questions on compensation and 6 questions on work-life balance while section C was the dependent variable, employee engagement (17 questions). The instruments for compensation was adapted from Heneman and Schwab (1985) while work-life balance was adapted and modified from Carlson, Gezywacz & Zivnуска (2009). Employee engagement was adapted from Schaufeli, Salanova, Gonzalez-Roma & Bakker (2002), Utrecht Work Engagement Scale (UWES) measurement method. A total of 1000 questionnaires were distributed and only 966 respondents were used for futher analysis. The data was analyzed by using SPSS Version 23.0.

DATA ANALYSIS

Total of 996 set of questionnaires was successful been used in analysis data out of 1000 set distributed questionnaires. There are consists 542 female and 424 male respondents. Most of the respondents are between the age of 30-40 years and all of them had full time employment. The data collection also covered all the sub-sectors of manufacturing industry accept other non-metallic mineral sector. Electrical

& electronics sector have the most respondents which 209. 90 percent of the respondent's monthly income was in range of RM2000 to RM6000.

Table 1 was exhibit the means and standard deviation of the variables and the correlation result between compensation and work-life balance with employee engagement. It showed both variables significantly correlate with employee engagement which $r = 0.565$ for compensation and work-life balance at $r = 0.248$. Table 2 showed the multiple regression analysis results. It showed the independent constructs manage to explain 33.3% ($R\text{-Squared} = 0.333$, $F\text{ value} = 240.85$) of employee engagement. In other words, there still leaves approximately 67% unexplained constructs which can be considered in tested relationship between employee engagement. Thus, the results support both hypotheses with compensation ($\beta = 0.804$, $p < 0.01$) and work-life balance ($\beta = 0.304$, $p < 0.01$) towards employee engagement.

Table 1: Means, Standard Deviations and Correlation Results

Variables	Means	SD	r
Employee Engagement	86.30	12.12	
Compensation	62.64	8.09	0.56**
Work-life Balance	27.93	4.81	0.248**

** $p < 0.01$; SD= standard deviation

Table 2: Regression Results of Employee Engagement

Independent Variables	Standardized Beta	t
Compensation	0.804	19.812**
Work-Life Balance	0.304	4.457**
F Value	240.852	
R Square	0.333	
R	0.577	

** $p < 0.01$

DISCUSSION AND CONCLUSION

The result indicated that compensation and work-life balance have relationship with employee engagement. This reflects that for the employees to be engaged, compensation and work life balance is an important variable for organization to take note. In Malaysia, Gen Ys had been facing critical challenges due to the constantly increasing cost of living in order to cope with the different types of financial commitment such as car, house, family and health costs. It prompts them to seek for competitive pay to sustain and support their overall expenses (Queiri, Wan Yusoff & Dwaikat, 2015). Through the research results, most of the manufacturing industry's employer could provide competitive salary to their employee's expectation level. It also showed that most of the respondents were satisfied with their current pay and benefits provided by organization. As a result, when employers could fulfill the employees' compensation desires, Gen Ys are willing to engage with the organization. In the same time, if company could provide pay and benefits fair to their contributions, Gen Ys will engaged to their work (Zhang, 2016).

On the other hand, the multiple regression results revealed the positive relationship between work-life balance and employee engagement. It showed that employers began realize and implemented the different forms of WLB programs in order to engaging their new generation of employees (Gen Ys). Employers are willing to transform their conventional company's policies and practices to fit the new generation's expectation and desires. Most of the respondents were satisfied with the current workplace work-life balance practices. They are able to manage their work and non-work job more flexibility especially for those who have a family. The work-life balance practices like flextime, job sharing and compressed work week were frequently used in the manufacturing industry to reduced their operation cost and at the same time provide flexibility for employees to arrange their work schedule to become

more efficient and productive (Lee & DeVoe, 2012). In other words, they are also willing to sacrifice their time and energy and contribute their talents and knowledge, skills and abilities to help in enhancing the business performance as well as individual's productivity (Warr & Inceoglu, 2012).

As a conclusion, this study had answered the objectives to determine the relationship between compensation and work-life balance with employee engagement in Malaysia manufacturing industry. The results showed that the two variables positively correlated with employee engagement. The manufacturing industry is one of the essential country's economic backbones. Thus, the employee productivity played a great influence to the country's performance and therefore this study is to create awareness to the employers that the desire of employees has started to change. Employers need to engage more talented employees in their organization and need to change their conventional policies and practices to ingratiate the needs and desires of Gen Ys.

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